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SUBJECT: SUGGESTED REVISIONS TO SECRETARIAT'S PAPER ON
PRODUCER/CONSUMER DIALOGUE

1. OUR RECOMMENDATIONS FOR REVISIONS TO THE SECRETARIATS'
DRAFT NOTE IEA/GB(75)44 FOLLOW:

2. PAGE 3, NUMBER 1(A)(II), TO READ "TO PROMOTE THE TRANS-
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FORMATION OF THE PRESENT UNSETTLED ECONOMIC SITUATION

TOWARD FUTURE LONGER TERM EQUILIBRIA IN SUPPLY AND DEMAND FOR ENERGY AND OTHER RAW MATERIALS, TO SMOOTH ANY TRANSITIONS, AND PROMOTE THE ECONOMIC DEVELOPMENT OF LESS DEVELOPED COUNTRIES."

3. PAGE 7, III(A), SECTION ON EFFECTS OF STRUCTURAL CHANGES IN THE OIL MARKET ON THE GENERAL ECONOMIC SITUATION SUBSTANTIALLY UNDERESTIMATES COSTS IN TERMS OF REAL OUTPUT SEE US COMMENTS ON VAN YPERSELE PAPERS.

4. PAGE 8, LAST SENTENCE UNDER A.4. TO READ "THESE DISEQUILIBRIA SEEM TO BE MODERATING SOMEWHAT, AT LEAST IN SOME INDUSTRIALIZED AND OIL PRODUCING COUNTRIES." ADD FOLLOWING SENTENCE "THE ABILITY OF COUNTRIES TO ADJUST TO THESE SUDDEN BALANCE OF PAYMENT DISEQUILIBRIA WOULD BE IMPEDED BY FURTHER OIL PRICE INCREASES."

5. PAGE 8, NUMBER 5, DELETE "SEVERE" FROM SECOND LINE.

6. PAGE 8, LAST SENTENCE UNDER A.6. IS UNCLEAR AS TO WHY AND HOW INDUSTRIAL NATIONS SHOULD CONTRIBUTE TO "CORRECTIVE MEASURES" TO RELIEVE SITUATIONS CAUSED BY PRODUCERS GETTING LOWER LEVELS OF REVENUE THAN EXPECTED DUE TO THEIR PRICING POLICIES. THIS IDEA AND EXPLANATIONS FOR IT NEED TO BE MORE CAREFULLY SPELLED OUT OR DROPPED.

7. PAGE 9, LAST SENTENCE UNDER B.1. READS "HOWEVER, THE RECESSION AND MILD WINTER PROBABLY ACCOUNTED FOR THE MAJOR PART OF THE TOTAL DECREASE IN DEMAND." A NEW FINAL SENTENCE SHOULD BE ADDED -- "CONSERVATION MEASURES SHOULD HAVE A GREATER IMPACT ON DECREASING DEMAND IN THE FUTURE."

8. PAGE 9, FOOTNOTE, SHOULD BE CHANGED TO READ, "WE MUST BE PREPARED TO DEMONSTRATE THE ELASTICITY EFFECT AND TO DEMONSTRATE THAT THE EFFORTS OF CONSUMER ECONOMIES TO ADJUST TO THE HIGHER PRICES HAVE BEEN VERY COSTLY AND THAT FURTHER INCREASES WILL ACCELERATE THE CYCLE OF RELIMITED OFFICIAL USE

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CESSION AND FALLING DEMAND.

9. PAGE 11, UNLESS REVISED DATA IS NOW AVAILABLE, LAST SENTENCE OF B.(E) SHOULD REFLECT LONG TERM ENERGY ASSESSMENT THAT SHOWS THAT AT CURRENT PRICES OPEC EXPORTS IN 1980 WILL BE SIGNIFICANTLY LESS THAN EXISTING OPEC PRODUCTIVE CAPACITY.

10. PAGE 11-12, SUGGEST FOOTNOTE TO B.(F)(I) TO READ

"SINCE THERE IS LITTLE LIKELIHOOD OF PROGRESS INITIALLY ON THE ISSUES OF PRICE AND SECURITY OF SUPPLY, CONSUMERS SHOULD CONCENTRATE ON CREATING A PROCESS WHICH WILL ENCOURAGE OIL PRODUCERS OVER TIME TO DEVELOP A GREATER UNDERSTANDING OF THE RELATIONSHIP OF THEIR ECONOMIC DEVELOPMENT TO A HEALTHY WORLD ECONOMY. THEY SHOULD THEN BE MORE INCLINED TO DEAL CONSTRUCTIVELY AND COOPERATIVELY WITH THE PRICE AND SUPPLY QUESTIONS."

11. PAGE 13, NUMBER 2 VALUE OF OIL IN RELATION TO ITS NON-ENERGY USES. ADD TO END OF SECOND SENTENCE, WHICH CONCLUDES WITH "... IN EUROPE AND JAPAN)" THE FOLLOWING, "AND THE PRICE OF A BARREL OF OIL SHOULD REFLECT A COMPOSITE OF THE VALUE OF THE VARIOUS FRACTIONS OF PRODUCTS IN THE BARREL, THE PRICE OF SOME BEING QUITE LOW." DELETE THIRD SENTENCE BEGINNING "TO THE EXTENT" MODIFY FINAL SENTENCE OF PARAGRAPH AS FOLLOWS: "ANY PRICE INCREASE BASED ON THE THEORY PUT FORWARD BY OPEC WOULD

DIMINISH THE MARKET FOR ALL FRACTIONS AND ULTIMATELY CONTRACT THE REVENUES OF PRODUCERS."

12. PAGE 15, NUMBER 4 "SECURITY OF OIL SUPPLIES". SECOND SENTENCE SHOULD BE MODIFIED TO READ "IN PARTICULAR, WE SHOULD SEEK TO IDENTIFY NEW ARRANGEMENTS WHICH WOULD BE MORE EFFICIENT AND MORE SECURE IN TERMS OF LONG-TERM SUPPLY THAN THE EXISTING STRUCTURE AND UNDER WHICH PRODUCERS...". FINAL SENTENCE SHOULD BE ADDED AT THE END OF THE PARAGRAPH TO READ "ANY CONSIDERATION OF AN AGREEMENT INVOLVING LONG-TERM SUPPLY COMMITMENTS MUST TAKE INTO ACCOUNT THE ATTITUDE OF VARIOUS PRODUCERS TOWARD USING OIL TO OBTAIN POLITICAL GOALS." LIMITED OFFICIAL USE

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13. PAGE 15, NUMBER 5. MODIFY LAST SENTENCE TO READ "THE SHARING OF COSTS AND BENEFITS ASSOCIATED WITH THE CREATION OF ALTERNATIVE FUEL TECHNOLOGIES MIGHT BE PROPOSED AS ONE FEATURE OF A COMMON APPROACH FOR THE UTILIZATION OF FINITE OIL RESERVES."

14. PAGES 18-20, IV.B. SECTION ON USE OF OIL PRODUCERS' REVENUES SHOULD BE REDRAFTED TO TAKE ACCOUNT OF THE RECENT PAPER BY THE VAN YPERSELLE GROUP ON THE SAME SUBJECT AS MODIFIED BY THE US CONTRIBUTION.

15. WITH REGARD TO THE PROPOSAL ON STOCKPILES OF FOOD-GRAINS, WORK IS ALREADY UNDERWAY ON THIS ISSUE IN CONTEXT GATT MULTILATERAL TRADE NEGOTIATIONS IN GENEVA AS WELL AS

PREPARATORY GROUP UNDER THE INTERNATIONAL WHEAT COUNCIL
IN LONDON. IN VIEW OF SUBSTANTIAL PROGRESS WHICH
HAS ALREADY BEEN MADE IN THESE FORA, WHICH WILL HOPEFULLY
LEAD TO NEGOTIATIONS, WE WOULD PREFER THAT ADDITIONAL
WORK NOT BE BEGUN IN STILL ANOTHER CONTEXT AT THIS TIME.
THEREFORE, WE RECOMMEND DELETION OF 2.(B) ON PAGE 22.
FYI. US PROPOSALS IN LONDON MEETINGS ON GRAIN RESERVES
ADVOCATE AN INTERNATIONALLY COORDINATED SYSTEM OF NATION-
AL RESERVES PRIMARILY FOR PURPOSE OF ENHANCING WORLD
FOOD SECURITY AND SECONDARILY FOR PURPOSES OF LESSENING
FLUCTUATIONS IN PRICES. LATTER IS POSITION ADVOCATED
BY EUROPEAN COMMUNITY. END FYI.

16. PAGE 22, DELETE LAST TICK UNDER D.1. WHICH READS
"ASSURED MARKETS IN BOTH CONSUMERS AND PRODUCERS ON
SPECIFIED TERMS." INGERSOLL

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